

AMENDED IN SENATE MAY 7, 2014  
AMENDED IN SENATE APRIL 10, 2014  
AMENDED IN SENATE MARCH 25, 2014

**SENATE BILL**

**No. 1371**

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**Introduced by Senator Leno**  
(Principal coauthor: Assembly Member Mullin)  
**(Coauthor: Senator Hill)**

February 21, 2014

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An act to add Article 3 (commencing with Section 975) to Chapter 4.5 of Part 1 of Division 1 of the Public Utilities Code, relating to natural gas.

LEGISLATIVE COUNSEL'S DIGEST

SB 1371, as amended, Leno. Natural gas: leakage abatement.

The California Constitution establishes the Public Utilities Commission with regulatory authority over public utilities, authorizes the commission to establish its own procedures, subject to statutory limitations or directions and constitutional requirements of due process, and authorizes the commission to fix rates and establish rules for all public utilities, subject to control by the Legislature.

The Natural Gas Pipeline Safety Act of 2011, within the Public Utilities Act, designates the commission as the state authority responsible for regulating and enforcing intrastate gas pipeline transportation and pipeline facilities pursuant to federal law, including the development, submission, and administration of a state pipeline safety program certification for natural gas pipelines.

The California Global *Warming* Solutions Act of 2006 requires the State Air Resources Board to adopt regulations to require the reporting

and verification of emissions of greenhouse gases and to monitor and enforce compliance with the reporting and verification program, and requires the state board to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990, to be achieved by 2020.

This bill would require the commission to adopt rules and procedures governing the operation, maintenance, repair, and replacement of *those* commission-regulated gas pipeline facilities *that are intrastate transmission and distribution lines* to minimize leaks as a hazard to be mitigated pursuant to the Natural Gas Pipeline Safety Act of 2011 and to reduce emissions of natural gas from ~~commission-regulated gas pipeline~~ *those* facilities to the maximum extent feasible in order to advance the state's goals in reducing emissions of greenhouse gases pursuant to the California Global Warming Solutions Act of 2006. The bill would require the commission to commence a proceeding by January 15, 2015, and to adopt rules and procedures not later than December 31, 2015. The bill would require the commission to consult with the state board and those other state and federal entities that the commission determines have regulatory roles of relevance to the rules and procedures under consideration. The bill would require that the rules and procedures provide for the *maximum technologically feasible and* cost-effective avoidance, reduction, and repair of leaks in *those* commission-regulated gas pipeline facilities *that are intrastate transmission and distribution lines* within a reasonable time after ~~discovery, but require that leaks discovered in close proximity to residential and commercial buildings be repaired as soon as reasonably possible after discovery, consistent with the goals of reducing the risk of injury, loss of life, property damage, and air pollution.~~ *discovery*. The bill would require the rules and procedures to provide for the ranking, by volume, of leaks recorded by each commission-regulated gas pipeline facility *that is an intrastate transmission or distribution line* and require the implementation of programs that provide for the ongoing repair of leaks that are in the top 20% of gas volumes leaked on an annual basis. The bill would require that the rules and procedures evaluate the operations, maintenance, and repair practices of ~~commission-regulated gas pipeline~~ *those* facilities to determine whether existing practices are effective at achieving the goals of the bill and to determine whether alternative practices may be more effective at achieving the goals of the bill. The bill would require that the rules and procedures establish and require the use of best practices for leak surveys, patrols, leak survey technology, leak

prevention, and leak reduction. The bill would require the rules and procedures to establish protocols and procedures for the development and use of metrics to quantify the volume of emissions from leaking components, and for evaluating and tracking leaks, both geographically and over time, so that operators, the commission, and the public have accurate information about the number and severity of leaks and about the quantity of gas that is emitted to the atmosphere over time. The bill would require that the rules and procedures, to the extent feasible, require the owner of each commission-regulated gas pipeline facility *that is an intrastate transmission or distribution line* to calculate and report to the commission a baseline systemwide leak rate, to periodically update that systemwide leak rate calculation, and to annually report measures that will be taken in the following year to reduce the systemwide leak rate to achieve the goals of the bill. The bill would require that the commission consider ~~whether the costs of compliance with the adopted rules and procedures are commensurate with the short- and long-term benefits resulting from reducing leaks and emissions and provide for cost recovery in rates charged to their customers by a gas corporation;~~ *specified topics in a manner* consistent with the commission's existing ratemaking procedures and authority to establish just and reasonable rates.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the provisions of this bill would be a part of the act and because a violation of an order or decision of the commission implementing its requirements would be a crime, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

SECTION 1. Article 3 (commencing with Section 975) is added to Chapter 4.5 of Part 1 of Division 1 of the Public Utilities Code, to read:

Article 3. Methane Leakage Abatement

975. The Legislature finds and declares all of the following:

(a) The Legislature has established that safety of the natural gas pipeline infrastructure in California is a priority for the Public Utilities Commission and gas corporations, and nothing in this article shall compromise or deprioritize safety as a top consideration.

(b) It is undisputed that natural gas pipelines and infrastructure in California leak natural gas. The incidence of natural gas leaks and their repair is considered by the industry and regulators to be a significant indicator of pipeline integrity and safety.

(c) The Legislature has established a policy goal to significantly reduce emissions of greenhouse gases in California.

(d) There is a growing awareness of the potency of methane, the primary component of natural gas, as a greenhouse gas. The Intergovernmental Panel on Climate Change estimates that the global warming potential of methane is *28 times that of carbon dioxide over a 100-year time horizon* and 84 times that of carbon dioxide over a 20-year time horizon. There is also a growing awareness that climate change impacts impose high social costs, including impacts upon the public health and economy.

(e) Reducing methane emissions by promptly and effectively repairing or replacing the pipes and associated infrastructure that is responsible for these leaks advances both policy goals of natural gas pipeline safety and integrity and reducing emissions of greenhouse gases.

(f) Existing federal and state rules and regulations pertaining to the natural gas transmission and distribution system and associated infrastructure were not developed for the purpose of preventing the climate change impacts from leaks of natural gas.

(g) Examining the methods used by gas corporations under existing federal and state rules to conduct and schedule leak repair and prevention based on the implications of these practices with

1 respect to emissions of greenhouse gases will enable a more  
2 thorough evaluation of whether existing practices are  
3 commensurate with California’s goals for reducing emissions of  
4 greenhouse gases.

5 (h) Reducing leaks and repairing pipelines and associated  
6 infrastructure in California provides significant employment  
7 opportunities for California residents and for domestic fabricators  
8 of high quality pipeline materials and other equipment associated  
9 with finding and fixing leaks.

10 (i) Providing just and reasonable rate revenues for gas  
11 corporations to find, categorize, and repair leaks promptly when  
12 discovered, including employing an adequate workforce, is in the  
13 public interest, and promotes the interests of customers and the  
14 public.

15 976. (a) For purposes of this chapter, “commission-regulated  
16 gas pipeline facility” has the same meaning as defined in Section  
17 950.

18 (b) The commission shall adopt rules and procedures governing  
19 the operation, maintenance, repair, and replacement of *those*  
20 commission-regulated gas pipeline facilities *that are intrastate*  
21 *transmission and distribution lines, as described in paragraphs*  
22 *(1) and (2) of subdivision (a) of Section 950*, to achieve both of  
23 the following:

24 (1) Minimize leaks as a hazard to be mitigated pursuant to  
25 paragraph (1) of subdivision (d) of Section 961.

26 (2) While giving due consideration to the cost considerations  
27 of Section 977, reduce emissions of natural gas from *those*  
28 commission-regulated gas pipeline facilities *that are intrastate*  
29 *transmission and distribution lines* to the maximum extent feasible  
30 in order to advance the state’s goals in reducing emissions of  
31 greenhouse gases pursuant to the California Global Warming  
32 Solutions Act of 2006 (Division 25.5 (commencing with Section  
33 38500) of the Health and Safety Code).

34 (c) Not later than January 15, 2015, the commission shall  
35 commence a proceeding to adopt rules and procedures for ~~intrastate~~  
36 ~~distribution lines and intrastate transmission lines~~ *those*  
37 *commission-regulated pipeline facilities that are intrastate*  
38 *transmission and distribution lines*, as respectively described in  
39 paragraphs (1) and (2) of subdivision (a) of Section 950, to achieve  
40 the goals of subdivision (b). The commission shall consult with

1 the State Air Resources Board and those other state and federal  
2 entities that the commission determines have regulatory roles of  
3 relevance to the rules and procedures under consideration. The  
4 commission shall adopt rules and procedures not later than  
5 December 31, 2015.

6 (d) The rules and procedures adopted pursuant to subdivision  
7 (c) shall accomplish all of the following:

8 (1) Provide for the *maximum technologically feasible and*  
9 *cost-effective avoidance, reduction, and repair of leaks in those*  
10 *commission-regulated gas pipeline facilities that are intrastate*  
11 *transmission and distribution lines* within a reasonable time after  
12 discovery, consistent with ~~eliminating hazards and reducing~~  
13 ~~emissions~~ *the California Global Warming Solutions Act of 2006*  
14 *(Division 25.5 (commencing with Section 38500) of the Health*  
15 *and Safety Code)* to achieve the goals in subdivision (b).  
16 ~~Cost-effectiveness criteria used to determine leak avoidance,~~  
17 ~~reduction, and repair requirements pursuant to this paragraph shall~~  
18 ~~take into account societal and public costs associated with climate~~  
19 ~~change and air pollution, including peer-reviewed estimates of the~~  
20 ~~social costs of emissions of greenhouse gases.~~

21 ~~(2) As determined by the commission, provide for the repair of~~  
22 ~~any leaks discovered in close proximity to residential and~~  
23 ~~commercial buildings as soon as reasonably possible after~~  
24 ~~discovery, consistent with the goals of reducing the risk of injury,~~  
25 ~~loss of life, property damage, and air pollution, including the~~  
26 ~~climate change potential associated with methane emissions.~~

27 ~~(2) Provide for the repair of leaks as soon as reasonably~~  
28 ~~possible after discovery, consistent with the goals of reducing air~~  
29 ~~pollution and the climate change impacts of methane emissions.~~

30 (3) Commensurate with a goal of reducing systemwide emissions  
31 of methane, provide for a ranking, by volume, of leaks recorded  
32 by each commission-regulated gas pipeline facility *that is an*  
33 *intrastate transmission or distribution line* and require the  
34 implementation of programs that, at a minimum, provide for the  
35 ongoing repair of leaks that are in the top 20 percent of gas volumes  
36 leaked on an annual basis.

37 (4) Evaluate the operations, maintenance, and repair practices  
38 of *those* commission-regulated gas pipeline facilities *that are*  
39 *intrastate transmission and distribution lines* to determine whether  
40 existing practices are effective at achieving the goals of subdivision

(b) and determine whether alternative practices may be more effective at achieving the goals of subdivision (b).

(5) Establish and require the use of best practices for leak surveys, patrols, leak survey technology, leak prevention, and leak reduction. Best practices shall include evaluation of the quality of materials and equipment from various sources, including foreign and domestic third-party suppliers.

(6) Establish protocols and procedures for the development and use of metrics to quantify the volume of emissions from leaking components, and for evaluating and tracking leaks, both geographically and over time, so that operators, the commission, and the public have accurate information about the number and severity of leaks and about the quantity of natural gas that is emitted into the atmosphere over time.

(7) To the extent feasible, require the owner of each commission-regulated gas pipeline facility *that is an intrastate transmission or distribution line* to calculate and report to the commission a baseline systemwide leak rate, along with any data and computer models used in making that calculation, to periodically update that systemwide leak rate calculation, and to annually report on measures that will be taken in the following year to reduce the systemwide leak rate to achieve the goals of subdivision (b).

(e) The rules and procedures, including best practices and repair standards, shall be incorporated into the safety plans required by Section 961.

(f) Consistent with subdivision (e) of Section 961, the commission shall facilitate robust ongoing participation of the workforce of gas corporations and those state and federal entities that have regulatory roles of relevance in all aspects of the proceeding. *Nothing in this section affects the commission's authority to determine eligibility for intervenor compensation.*

~~977. As an element of the proceeding required by Section 976, the commission shall consider whether the costs of compliance with the adopted rules and procedures are commensurate with the short- and long-term benefits resulting from reducing leaks and emissions and shall provide for cost recovery in rates charged to their customers by a gas corporation, consistent~~ Consistent with the commission's existing ratemaking procedures and authority to establish just and reasonable rates. ~~Cost considerations shall~~

1 ~~include, but are not limited to,~~ *rates, the commission shall consider*  
2 all of the following:

3 (a) Providing an adequate workforce to achieve the objectives  
4 of reducing hazards and emissions from leaks, including leak  
5 avoidance, reduction, and repair.

6 (b) Directing the revenues from any allowance for lost or  
7 unaccounted for natural gas to leak avoidance, reduction, and  
8 repair.

9 (c) Providing guidance for treatment of expenditures as being  
10 either an item of expense or a capital investment.

11 (d) The impact on affordability of gas service for vulnerable  
12 customers as a result of the incremental costs of compliance with  
13 the adopted rules and procedures.

14 (e) *The social and public costs associated with climate change*  
15 *and air pollution, including peer-reviewed estimates of the social*  
16 *costs of emissions of greenhouse gases.*

17 SEC. 2. No reimbursement is required by this act pursuant to  
18 Section 6 of Article XIII B of the California Constitution because  
19 the only costs that may be incurred by a local agency or school  
20 district will be incurred because this act creates a new crime or  
21 infraction, eliminates a crime or infraction, or changes the penalty  
22 for a crime or infraction, within the meaning of Section 17556 of  
23 the Government Code, or changes the definition of a crime within  
24 the meaning of Section 6 of Article XIII B of the California  
25 Constitution.